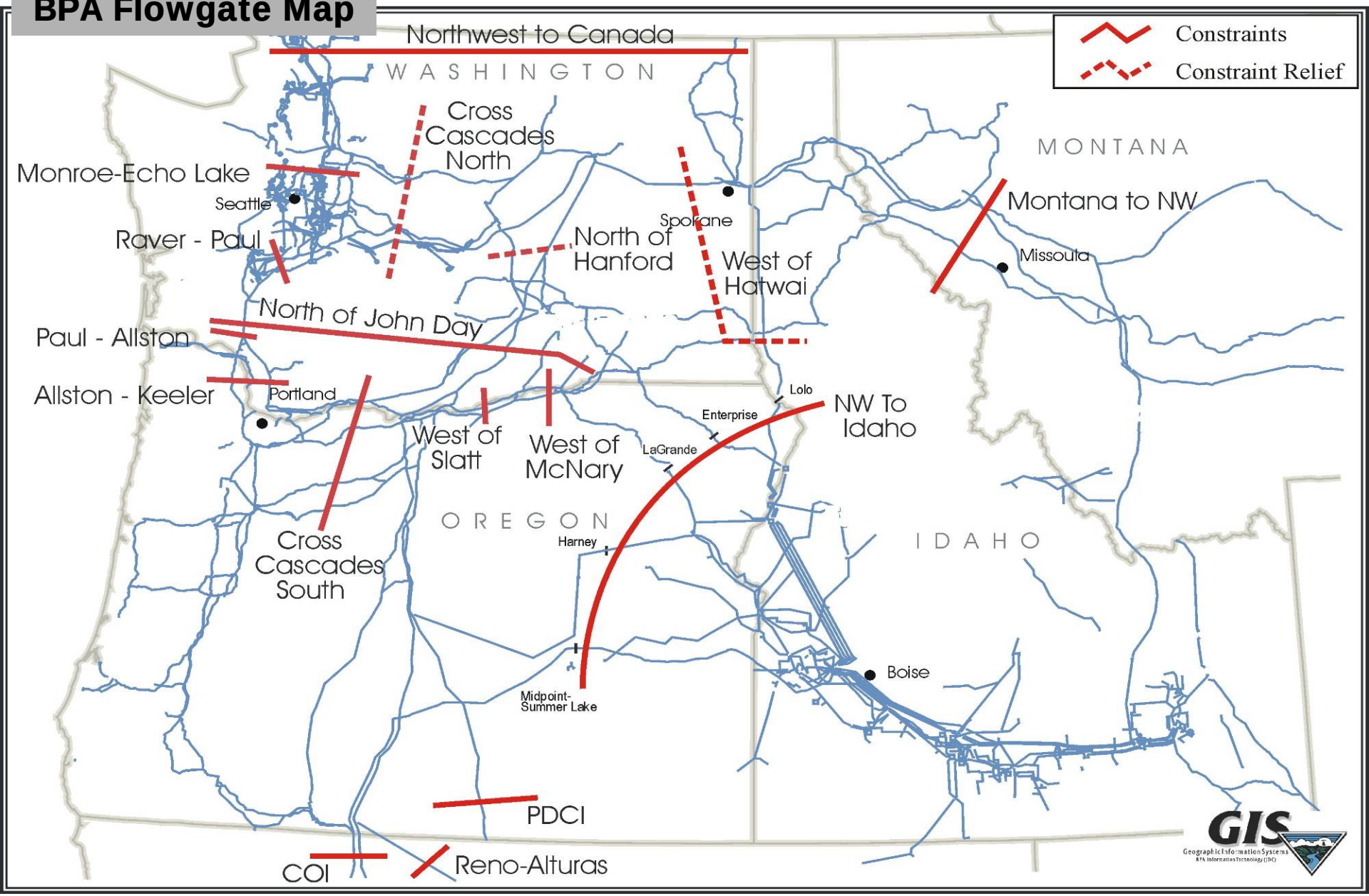
# Presentation to the Montana Transmission Working Group : 2008 Network Open Season

November 13, 2008

# BPA Flowgate Map



# Network Open Season Context

- Seriously clogged **transmission request queue** (14,464 MW in 316 requests). NOS does not impact the Interconnection queue.
- Unable to perform meaningful System Impact Studies (SIS) and System Facility Studies (SFS) under the tariff.
- Many requests are speculative and duplicative in order to facilitate power marketing by wind developers.
- Some customers that seriously need transmission service blocked by speculative requests higher in the queue.
- Failed effort in 2004 to conduct Open Season on one transmission path.
- Currently, no coordinated regional planning to define future transmission requirements.

# Network Open Season Objectives

- Offer transmission service to everyone requesting service on the BPA Network (not the Interties) in order to identify those that are ready to commit.
- Require customers to make this commitment by signing and securing a precedent transmission service agreement which obligates the customer to take service if BPA able to provide at embedded service rate.
- Study transmission system impacts and facility requirements in a cluster study.

# *Quid Pro Quo*

- BPA will study, finance and construct new transmission facilities provided that we have sufficient new incremental service commitments from customers (less any reliability and future use obligations) to enable us recover our cost at our embedded service rate.
- Approach does not require customers to advance funds for studies or capital for construction.

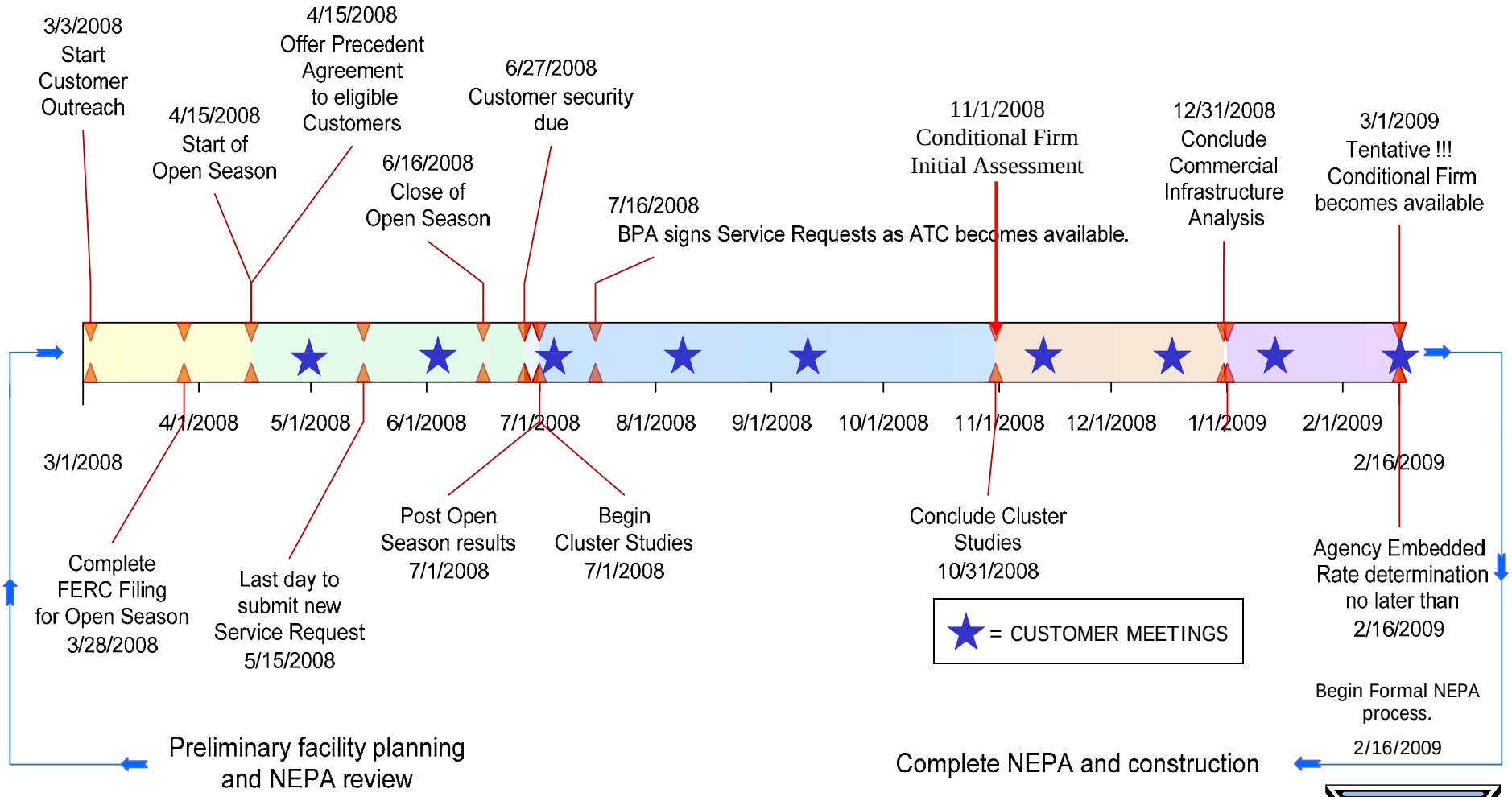
# NOS Development Issues

- Duration of service commitment (one year - initially we said we needed 15 years).
- Rollover assumption (five years to have rollover right).
- Deferral (rights per the Tariff - initially we proposed that deferral rights not be granted).
- Security amount (equal to one year service).
- Need for NOS Tariff filing (requested deviations to specific procedural sections of the tariff related to processing of Transmission service requests).

# Network Open Season Mechanics

- All customers with OASIS requests by date certain offered precedent transmission service agreements (PTSA).
- PTSA obligates the customer to take service for fixed demand for a fixed duration.
- Customers required to submit refundable security equal to 12 months of service in form of a LOC, escrow or direct deposit.
- Where customers failed to sign and return PTSA and provide security OASIS requests removed from the transmission queue.
- Combined SIS/SFS cluster study to be conducted in 120 day period.
- Financial analysis to determine rate impact to be performed immediately following the cluster study.
- Determination of rate treatment (embedded or incremental) to be made within 60 days of cluster study completion.
- If BPA determines that rate is incremental (project by project basis) BPA will terminate the PTSA agreement.

# 2008 Network Open Season Timeline



# NOS Results (as posted July 7, 2008)

| NOS Detail | Summary of Offers (May 15) | Preliminary PTSA Summary (June 16) | Final PTSA Summary (June 27) |
|---|---|---|---|
| Number of PTSA | 316 | 160 | 153 |
| Number of Total MW | 14,464 MW | 6,905 MW | 6,410 MW* |
| Participating Customers | 38 | 29 | 28 |
| PTSA Service Breakdown | 5,819 MW (142 PTSA) for PTP<br>591 MW (11 PTSA) for NT | | |
| Total Security | $83,238,144<br>Escrow @ $22,398,288<br>Letter of Credit @ $57,506,592<br>Direct Deposit @ $3,333,264 | | |
| * 4,716 MW (74%) associated with wind development | | | |

# 2008 NOS Restack Results

| Type | # of PTSA | MW |
|---|---|---|
| Authorized and Confirmed | 31 | 1,142 |
| Authorized pending confirmation or further analysis | 16 | 640 |
| **NOS Restack sub-TOTAL** | **47** | **1,782** |
| **Pending Cluster Study** | **106** | **4,628** |
| **TOTAL PTSA** | **153** | **6,410** |

- *BPA is continuing to process the Pending Queue*
- *Post-NOS LTF Queue status is 61 TSRs of 4,105 MW submitted since May 15, 2008 (as of November 7, 2008)*

# NOS Observations

- Effective collaboration with strategic organizations, constituent and customer base critical:
  - Support, advice and encouragement by the FERC staff to develop new innovative approaches for managing the transmission request queue was significant motivator.
  - FERC filing which requested waiver of certain specific tariff sections and included new procedures was uncontested.
  - Collaboration by a group of BPA customers was an important aspect of the NOS development process. Our customers (transmission users) very supportive of NOS.
  - Need to better align/coordinate with commercial processes of regional utilities/power producers.
- NOS results exceeded expectations:
  - Response to NOS far exceeded expectations. BPA was thinking that only a small number of customers would sign contracts committing them to long term purchase of service (1500 MW of new service commitments would have been viewed as a success).
  - About 4716 MW of the 6410 MW in commitments is for IPP wind development. In the BPA balancing area we already have 1500 MW of installed wind capacity. Adding another 5000 MW of wind to the BPA system raises major questions.
- Network Open Season effective queue management strategy:
  - Removal of 153 requests from the existing transmission queue allowed service to be provided to 35 requests without any new construction. This is the most significant NOS accomplishment so far.
  - We have been able to restack our OASIS first come first serve queue and in so doing get service to many customers (1201 MW, 35 TSR) that have been in need of service. Those higher queue requests that have been blocking offers to lower queue requestors are now gone (we offered service to them and they did not accept our offer).

# NOS Observations (continued)

- Cluster Study provides a means to balance projected load growth with projected use of the network but it DOES NOT replace a formal planning process:
  - Some of the signed and secured agreements will require significant extension of the BPA 500/230 kV grid (to open up new wind development areas). Total cost of all required facilities needed to provide service may exceed $1.5 billion.
  - Given the number of TSRs submitted to BPA, a cluster study is the only efficient and practical way for evaluating system impact and facility requirements. Cluster study allows BPA to evaluate net impacts of multiple requests for transmission service on network flows.
- Long Term Firm Transmission market speculation persists:
  - Immediately following the deadline for submittal (May 15) several customers submitted new OASIS requests. As of November 5, BPA has received 61 TSRs for 4,105 MW over its network. These requests will be held until NOS round 2.
  - Some customers that signed and secured agreements for transmission service are seeking service for new wind development projects that have not been licensed or permitted. These projects are speculative and moving forward with transmission development could present significant dry hole risk for BPA.
  - Security requirement equal to one year service (about $1.6 million for a 100 MW transaction) not sufficient to cover dry hole risk exposure.
  - Deferral of service option embedded in tariff is problematic, complicates financing. May facilitate additional speculative behavior.

# Near Term Actions

- Completion of NOS round 1 financial analysis and decision on transmission segments that will be constructed (final decision February 16).
- Since most of the NOS transmission service is associated with wind generation interconnection we need to quickly resolve issues related to reserve requirements for providing reserve requirements and within-hour regulation.
- Announce timing and agree on adjustments prior to launching NOS round 2 (most likely next spring).
- **Investigate and decide whether and how to conduct an open season approach for new external interconnections (This will require that BPA enter into equity partnerships with other interested Transmission Providers).**